



Sean Rogan
Executive Director

**COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles**

700 W. Main Street • Alhambra, CA 91801

Tel: 626.262.4511 • TDD: 626.943.3898 • www.lacdc.org

Gloria Molina
Mark Ridley-Thomas
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

June 11, 2013

Honorable Board of Commissioners
Community Development Commission
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

**FISCAL YEAR 2013-2014 BUDGETS OF THE COMMUNITY DEVELOPMENT COMMISSION AND
HOUSING AUTHORITY AND INCORPORATION OF ADDITIONAL FUNDS INTO THE HOUSING
AUTHORITY'S FISCAL YEAR 2012-2013 BUDGET
(ALL DISTRICTS) (3 VOTE)**

SUBJECT

The Fiscal Year 2013-2014 Community Development Commission of the County of Los Angeles (Commission) and the Housing Authority of the County of Los Angeles (Housing Authority) Recommended Budgets totaling \$479,575,700 reflect a decrease of \$5,502,000, or 1.13%, over Fiscal Year 2012-2013.

The decrease is primarily due to additional reductions in funding for the Housing Authority's Section 8 Housing Choice Voucher Program (HCV) and Capital Fund Program (CFP) from the U.S. Department of Housing and Urban Development (HUD) due to sequestration.

The Commission also received additional cuts in federal funding allocations in the Community Development Block Grant (CDBG) Program and the HOME Program. These decreases were offset by an expansion of the Traffic Violator School Monitoring Program, funding from the County in the form of County General Funds (CGF) and Affordable Housing Due Diligence Review (HDDR) for

ADOPTED

Community Development Commission

2-D

June 11, 2013

SACHI A. HAMAI
EXECUTIVE OFFICER

continued support in developing low income and special needs housing, and an increase in external construction project budgets that the Commission is overseeing on behalf of the County.

The Commission and Housing Authority continue to face daunting challenges into the foreseeable future. The federal government budget is tight and congressional funding remains insufficient to meet public housing's basic operating needs. Throughout this challenging environment, the Commission and Housing Authority continues to do their best to manage resources in order to more effectively serve our constituents. The agencies will continue to press forward to work more efficiently and effectively to ensure that they continue to accomplish our mission to Build Better Lives and Better Neighborhoods.

IT IS RECOMMENDED THAT THE BOARD ACTING AS THE GOVERNING BODY OF THE COMMUNITY DEVELOPMENT COMMISSION:

1. Adopt and instruct the Chairman to sign a Resolution (Attachment A) approving the Commission's Fiscal Year 2013-2014 Budget, which includes revenues and expenditures of \$160,099,300.
2. Adopt and instruct the Chairman to sign a Resolution (Attachment B) approving the cost allocation model developed in conjunction with the Commission's external auditors, Klynveld Peat Marwick Goerdeler (KPMG), in April 2002.
3. Instruct the Executive Director, or his designee, to implement the Commission's Fiscal Year 2013-2014 Budget and take all related actions for this purpose, including execution of all required documents.
4. Delegate authority to the Executive Director or his designee to approve amendments to the Commission's Administrative and Personnel Policies.
5. Find that the approval of the Commission's Fiscal Year 2013-2014 Budget is not subject to the California Environmental Quality Act (CEQA) because the activities are not defined as a project under CEQA.

IT IS RECOMMENDED THAT THE BOARD ACTING AS THE GOVERNING BODY OF THE HOUSING AUTHORITY:

1. Adopt and instruct the Chairman to sign a Resolution (Attachment C) approving the Housing Authority's Fiscal Year 2013-2014 Budget, which includes revenues and expenditures of \$319,476,300.
2. Adopt and instruct the Chairman to sign the Transmittal Resolution (Attachment D) certifying submission of the Housing Authority's Fiscal Year 2013-2014 Budget by your Board to HUD.
3. Adopt and instruct the Chairman to sign a Resolution (Attachment E) approving the cost allocation model developed in conjunction with the Housing Authority's external auditors, KPMG, in April 2002.
4. Instruct the Executive Director, or his designee, to implement the Housing Authority's Fiscal Year 2013-2014 Budget and take all related actions for this purpose, including execution of all required documents.
5. Find that the approval of the Housing Authority's Fiscal Year 2013-2014 Budget is not subject to CEQA because the activities are not defined as a project under CEQA.

6. Authorize the Executive Director or his designee to incorporate into the Housing Authority's Fiscal Year 2012-2013 Budget up to an additional \$10,000,000 in Affordable Housing Funds (COI), to fund existing loans to developers which were previously approved by your Board through the Housing Authority's Notice of Funding Availability process.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended actions is to establish new fiscal year appropriation authority for the Commission and the Housing Authority for operations and activities.

HUD requires formal approval annually for the cost allocation plan that was developed in 2002 by KPMG, the Commission and Housing Authority's external auditors at the time. The details of the allocation plan were submitted to your Board in May 2007, and subsequently approved in June 2007. The allocation methodology remains the same for Fiscal Year 2013-2014.

On December 28, 1982, your Board established the Commission's Administrative and Personnel Policies (Policies) and provided the framework for the current personnel system. Since that time, your Board has approved multiple amendments to the Policies. We are requesting delegated authority for the Executive Director to amend the Policies as necessary in the future to clarify business practices and administrative procedures, and to ensure compliance with applicable Federal and State regulations. Items with a fiscal impact, including salaries and benefits, will continue to be presented to your Board for approval.

FISCAL IMPACT/FINANCING

The combined Fiscal Year 2013-2014 Budgets include \$68,638,266 in County funds; an increase of \$6,596,873 from Fiscal Year 2012-2013 primarily due to active construction projects that the Commission is administering on behalf of the County. Of the \$68.6 million in County funds, \$63.1 million is related to various capital projects in the First, Second and Fourth Supervisorial Districts, and \$3.3 million is in support of various homeless assistance projects, including the Homeless and Housing Program Fund (HHPF). The Community Resource Center is budgeting \$913,654 for continued administrative support of various programs that provide comprehensive, integrated and accessible services to youth and families in unincorporated South Whittier as well as starting the design phase for converting temporary trailers to a permanent structure. A total of \$475,000 is being requested for continued support of the University of California Cooperative Extension Program. The remaining miscellaneous funds will support other countywide initiatives as designated by your Board.

A total of \$18.8 million in reserves is being budgeted for Fiscal Year 2013-2014 to bridge the gap between funding and expense levels. Reserves include the Commission general fund, Central Office Cost Center (COCC), Housing Authority Prior Year Surplus and other reserves. The Section 8 program is projecting to use \$12.7 million of Prior Year Housing Authority reserves to help offset anticipated reductions in HUD program and administrative funding for 2014. The Commission general fund is budgeted at \$2.7 million to cover any shortfall in retiree medical expenses, excess legal fees and other agency costs as needed. Other reserves are budgeted at \$3.4 million to support the Business Technology Center Improvements and administrative costs of the Housing Authority.

In Fiscal Year 2012-2013, the Housing Authority experienced higher activity in previously approved COI affordable housing projects. As a result, the loan costs for the Housing Authority will exceed the approved budget authority for Fiscal Year 2012-2013. The recommended increase in authority will

keep the projects moving forward without delay.

BUDGET OVERVIEW:

The combined Fiscal Year 2013-2014 Budgets include \$160,099,400 for the Commission and \$319,476,300 for the Housing Authority. The Budgets consist primarily of federal funding provided by HUD for housing and community development programs. Approximately 51% of the budget is in support of Section 8 Housing Vouchers for low income families, seniors, disabled and veterans. Local revenue sources include public housing dwelling rental income, County Funds and Affordable Housing Development Funds (COI).

EFFICIENCY EFFORTS:

The Commission and Housing Authority continue to operate at high efficiency levels thanks to the hard work and forward thinking of management and staff in developing new online applications to streamline processes and improve services. We continue to pursue additional measures to assist us in generating savings while improving operations.

Some of the efficiency improvements over the past year include:

- Developed and deployed both an Owner Portal and a Tenant Portal Phase II to allow for paperless processing and online submission of documentation for Section 8 annual reexaminations.
- Implemented an online service desk ticketing system. Employees are able to request use of pool vehicles, report computer issues, request help moving or fixing furniture, order items such as letterhead or business cards, or request help for any other service need.
- Designed and implemented the Employee Performance Management System (EPMS) to utilize paperless technology for employee performance plan tracking, annual review and merit increases. This system will significantly reduce paper use and save employees and managers time as they monitor and track employee progress online.
- Completed the upgrade of the Tracker system, used to record and track construction projects on a web based application.
- Completed consolidation of administrative offices to minimize travel time, decrease fuel expenses and cultivate a sense of unity between the divisions. The LEED gold certified building will also save money on utilities and stabilize rental costs with an asset to be owned by the Commission at the end of 32 years.
- Implemented Accounts Payable imaging program to eliminate hard copy storage, utilizing Laserfiche barcode/scanning tools with PeopleSoft Financials interface.

COMMUNITY DEVELOPMENT COMMISSION:

In Fiscal Year 2013-2014, the Commission's programs will be supported by three primary funding sources; State and County Revenue, CDBG funds, and Sound Attenuation Grants.

State and County Revenue is budgeted at \$76.3 million, which consists primarily of \$63 million for external construction projects in the First, Second and Fourth Supervisorial Districts that the Commission is administering on behalf of the County. This total also includes funding for various

Homeless Program Initiatives funded by the County and support of the South Whittier Community Resource Center.

The 2013-2014 CDBG Program is budgeted at \$34.4 million, which includes the annual Federal Entitlement and unspent prior-year carryover funds. The annual allocation is \$21 million, which is level with the funding received in FY 12-13, but significantly lower than previous years, due to continuous federal funding cuts. CDBG funds will be used by the Commission, the Housing Authority, 49 participating cities, six County departments, 33 community-based organizations and other public agencies, such as school districts.

Sound Attenuation Grants for the Residential Sound Insulation Program (RSIP) are budgeted at \$19.1 million, which includes funding from Los Angeles World Airports and the Federal Aviation Administration to mitigate exterior noise impact from planes flying near homes around Los Angeles International Airport.

HOUSING AUTHORITY:

In Fiscal Year 2013-2014, the Housing Authority's programs will be supported by three major funding sources: Housing Assistance Payments, Public Housing Program Funds, and Affordable Housing Development Funds (COI).

The Housing Assistance Funding is budgeted at \$269.3 million, and will be used to provide administrative support and rental assistance for over 24,000 low- and very-low income families and seniors, including 226 units for tenants residing at the Kings Road and Lancaster Homes project-based Section 8 developments.

The Public Housing Program Funding is budgeted at \$18.9 million, and is comprised primarily of \$11.2 million in rent revenues and \$7.7 million in operating subsidies. These funds are used to manage and maintain 3,258 public and affordable housing units, and to provide resident services.

Affordable Housing Development Funds are budgeted at \$19 million for the Housing Authority for the development of housing for low-income individuals, families, and special needs populations. To date, a total of \$220.8 million has been awarded, leveraging approximately \$1.6 billion to develop 8,794 units of affordable rental, homeownership and special needs housing units.

STAFFING:

The Commission budget includes 568 FTE employees, with 526 as regular positions and 42 as contract positions. The net increase of 17 FTE over the prior Fiscal Year is predominantly due to the expansion of the Traffic Violator School Monitoring Program which assumed the duties previously performed by the Los Angeles Superior Court and thus added 24 Commission employees at Court locations throughout Los Angeles County. The additional positions were offset by reduction in staff, primarily in Assisted Housing, due to additional funding reductions from HUD.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In January 2001, the Commission and the Housing Authority, with the concurrence of the County Auditor-Controller, developed an administrative policy for establishing a capital budget. Fiscal Year 2013-2014 marks the thirteenth year that the Housing Authority will submit a capital budget that details ongoing and future projects. The Fiscal Year 2013-2014 operating budget includes \$1.85 million in Housing Authority capital projects for ongoing and new projects.

On May 28, 2013, your Board approved the 2013-2014 One Year Action Plan (Action Plan) for the allocation of federal funds, which includes the planned use of CDBG, HOME, and ESG funding by the Commission, the Housing Authority, County departments, participating cities, community-based organizations, and other public agencies. The Action Plan was created with citizen input, as required by federal regulations. The recommendations approved by your Board are reflected in the proposed Fiscal Year 2013-2014 Budgets.

Adoption of the attached Resolutions approving the Fiscal Year 2013-2014 Budgets is necessary to establish new fiscal year appropriation authorities for the Commission and the Housing Authority, to receive funding, and to comply with Federal Notice 94-66 (Public Housing Authority) from HUD's Office of Public and Indian Housing, issued September 21, 1994. HUD Form 52574 must also be approved by your Board to certify the Housing Authority's operating budget.

County Counsel has approved the attached Resolutions as to form. On April 24, 2013, the Housing Commission recommended approval of the Housing Authority's Fiscal Year 2013-2014 Budget and related actions.

ENVIRONMENTAL DOCUMENTATION

Approval of the Commission and Housing Authority's Fiscal Year 2013-2014 Budgets is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because they involve administrative activities that will not have a physical impact or result in any physical changes to the environment. The activities are not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378(b) because they are not defined as a project under CEQA and do not have the potential for causing a significant effect on the environment.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the Fiscal Year 2013-2014 Budgets will enable the Commission and the Housing Authority to conduct program activities to benefit low- and moderate-income residents of the County and participating cities. Approval of the increased budget authority for Fiscal Year 2012-2013 will enable the Housing Authority to continue to fund loans for affordable housing projects to benefit special needs and low- to moderate- income residents of the County of Los Angeles.

The Honorable Board of Supervisors

6/11/2013

Page 7

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sean Rogan", followed by a horizontal line.

SEAN ROGAN

Executive Director

SR:krs

Enclosures

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors

RESOLUTION APPROVING THE 2013-2014 FISCAL YEAR
BUDGET OF THE COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES

WHEREAS, it is necessary for the Board of Commissioners of the Community Development Commission of the County of Los Angeles to adopt an annual budget.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Commissioners of the Community Development Commission of the County of Los Angeles, hereby adopts the following budgeted revenues and appropriations for the Community Development Commission of the County of Los Angeles for the 2013-2014 Fiscal Year, as set forth in the Annual Budget.

Estimated Funding: \$160,099,300

Expenditure and Reserve Appropriations: \$160,099,300

APPROVED AND ADOPTED by the Board of Commissioners of the Community Development Commission of ~~the County~~ of Los Angeles on this 11th day of June, 2013.

ATTEST:

SACHI A. HAMAI
Executive Officer-Clerk of the
Board of Commissioners

By: [Signature]
Deputy

By: [Signature]
Chairman of the
Board of Commissioners

APPROVED AS TO FORM:
JOHN F. KRATTLI
County Counsel

By: [Signature]
Deputy



APPROVED AND ADOPTED by the Board of Commissioners of the Community Development Commission of the County of Los Angeles on the 11th day of June, 2013.

ATTEST:

SACHI A. HAMAI
Executive Officer-Clerk of the
Board of Commissioners

By: [Signature]
Deputy

By: [Signature]
Chairman of the
Board of Commissioners



APPROVED AS TO FORM:
JOHN F. KRATTLI
County Counsel

By: [Signature]
Deputy